



HKC INTERNATIONAL HOLDINGS LIMITED  
香港通訊國際控股有限公司  
(Incorporated in the Cayman Islands with limited liability)

A large, circular graphic with a glowing blue and white border. Inside the circle, there are several overlapping images: a man in a suit talking on a mobile phone, a woman in a blue shirt talking on a mobile phone, a satellite dish, and a cityscape of Hong Kong. The background of the circle is filled with abstract data patterns and light trails.

Interim Report  
2008



## CONTENTS

	<b>PAGE</b>
CORPORATE INFORMATION .....	2
GROUP STRUCTURE .....	3
CONDENSED CONSOLIDATED INCOME STATEMENT .....	4
CONDENSED CONSOLIDATED BALANCE SHEET .....	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	7
CONDENSED CONSOLIDATED CASH FLOW STATEMENT .....	8
NOTES TO THE CONDENSED FINANCIAL STATEMENTS .....	9
MANAGEMENT DISCUSSION AND ANALYSIS .....	18
OTHER INFORMATION .....	19

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Chan Chung Yee, Hubert (*Chairman*)  
Chan Chung Yin, Roy  
Chan Man Min  
Tsui Hon Wing  
Chan Ming Him, Denny  
Wu Kwok Lam CPA, FCCA

#### *Non-executive Director*

Ng Ching Wah

#### *Independent Non-executive Directors*

Chu Chor Lup  
Chiu Ngar Wing FCCA, ACA, CPA (Practising)  
Leung Tai Wai, David

### COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

### QUALIFIED ACCOUNTANT

Wu Kwok Lam CPA, FCCA

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands  
British West Indies

### PRINCIPAL OFFICE

25/F., Oxford House, TaiKoo Place  
979 King's Road, Quarry Bay  
Hong Kong

### PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited  
P.O. Box 513 GT  
2nd Floor, Strathvale House  
North Church Street, George Town  
Grand Cayman, Cayman Islands  
British West Indies

### AUDITORS

Li, Tang, Chen & Co.  
*Certified Public Accountants (Practising)*

### HONG KONG BRANCH REGISTRAR

Pilare Limited  
10th Floor, Sun Hung Kai Centre  
30 Harbour Road  
Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

Wing Hang Bank, Limited  
161 Queen's Road Central  
Hong Kong

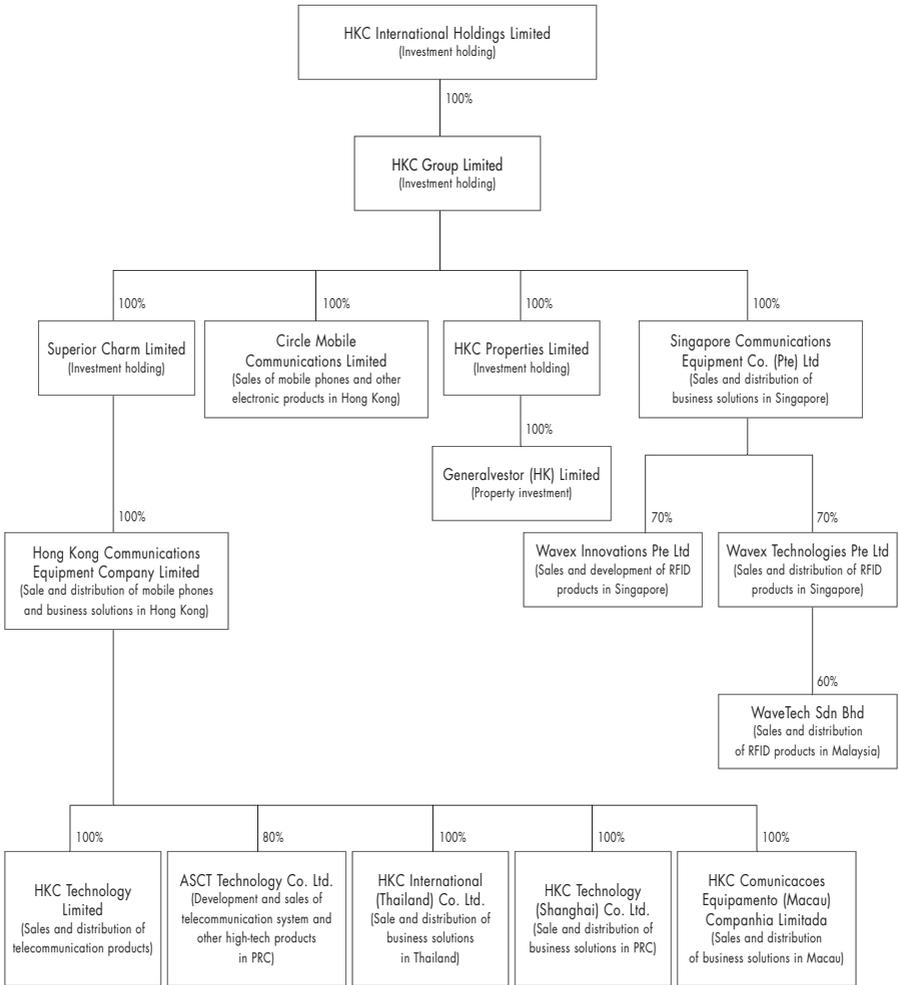
### STOCK CODE

248

### WEBSITE ADDRESS

<http://www.hkc.com.hk>

# GROUP STRUCTURE



## INTERIM REPORT

The directors of HKC International Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th September, 2008 as follows. The interim report has been reviewed by the audit committee of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

		<b>Six months ended</b>	
	Note	<b>30.9.2008 HK\$'000 (unaudited)</b>	30.9.2007 HK\$'000 (unaudited)
Turnover	3	<b>626,160</b>	481,704
Cost of sales		<b>(566,609)</b>	(432,942)
Gross profit		<b>59,551</b>	48,762
Other income and gains	4	<b>3,820</b>	7,931
Gain on disposal of leasehold land and buildings and investment properties		-	1,001
Other losses	5	<b>(6,793)</b>	-
Selling and distribution expenses		<b>(6,222)</b>	(7,230)
Administrative and other operating expenses		<b>(46,798)</b>	(40,904)
Finance costs	6	<b>(134)</b>	(235)
Profit before taxation	7	<b>3,424</b>	9,325
Tax expense	8	<b>(909)</b>	(1,524)
Profit for the period		<b>2,515</b>	7,801
Attributable to:			
Equity holders of the company		<b>2,163</b>	7,801
Minority interests		<b>352</b>	-
		<b>2,515</b>	7,801
Dividend	9	<b>4,901</b>	4,761
Earnings per share – (HK cents)			
– basic	10	<b>0.44 cents</b>	1.7 cents
– diluted	10	<b>0.44 cents</b>	1.7 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2008

	Note	30.9.2008 HK\$'000 (unaudited)	31.3.2008 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		12,172	10,907
Investment properties		32,128	6,496
Leasehold land		6,195	6,253
Goodwill		8,689	8,689
Interest in associate		1,458	1,047
Available-for-sale financial assets		3,531	8,409
Financial assets at fair value through profit or loss		2,843	23,241
Long-term bank deposits		15,950	15,950
Deferred tax assets		287	279
		<b>83,253</b>	81,271
<b>Current assets</b>			
Inventories		46,763	38,738
Gross amount due from customers for contract work	11	13,399	7,021
Debtors, deposits and prepayments	12	42,375	49,174
Deposits paid for acquisition of properties	13	23,168	1,526
Financial assets at fair value through profit or loss		47,187	19,719
Derivative financial instruments	14	414	122
Tax recoverable		997	1,003
Cash and bank balances		84,397	140,408
		<b>258,700</b>	257,711

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

AS AT 30TH SEPTEMBER, 2008

	Note	<b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2008 HK\$'000 (audited)
<b>Current liabilities</b>			
Creditors and accrued charges	15	<b>45,952</b>	52,688
Derivative financial instruments	14	<b>7,553</b>	9,986
Amount due to a director		<b>667</b>	667
Tax payable		<b>984</b>	992
Obligations under finance leases		<b>28</b>	34
Mortgage loan, short-term portion		<b>567</b>	–
Bank borrowings		<b>–</b>	27
		<b>55,751</b>	64,394
<b>Net current assets</b>			
		<b>202,949</b>	193,317
<b>Total assets less current liabilities</b>			
		<b>286,202</b>	274,588
<b>Non-current liabilities</b>			
Obligations under finance leases		<b>235</b>	31
Mortgage loan, long-term portion		<b>16,456</b>	–
Deferred tax liabilities		<b>270</b>	409
		<b>16,961</b>	440
		<b>269,241</b>	274,148
<b>Capital and reserves</b>			
Share capital		<b>4,901</b>	4,901
Reserves		<b>261,680</b>	266,939
Equity attributable to equity holders of the company		<b>266,581</b>	271,840
Minority interests		<b>2,660</b>	2,308
Total equity		<b>269,241</b>	274,148

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

	Share capital	Share premium	Shares held for share award plan	Share option reserve	Share award reserve	Capital reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1st April, 2008	4,901	41,404	(947)	-	373	28,325	1,254	1,380	195,150	271,840	2,308	274,148
Shares purchased for share award plan	-	-	(1,358)	-	-	-	-	-	-	(1,358)	-	(1,358)
Exchange difference on translation of overseas operation	-	-	-	-	-	-	-	128	-	128	-	128
Transfer upon share award plan	-	-	-	-	(373)	-	-	-	-	(373)	-	(373)
Decrease in fair value of available-for-sale financial assets	-	-	-	-	-	-	(918)	-	-	(918)	-	(918)
Profit for the period	-	-	-	-	-	-	-	-	2,163	2,163	352	2,515
Dividend paid	-	-	-	-	-	-	-	-	(4,901)	(4,901)	-	(4,901)
<b>At 30th September, 2008</b>	<b>4,901</b>	<b>41,404</b>	<b>(2,305)</b>	<b>-</b>	<b>-</b>	<b>28,325</b>	<b>336</b>	<b>1,508</b>	<b>192,412</b>	<b>266,581</b>	<b>2,660</b>	<b>269,241</b>
At 1st April, 2007	4,621	31,580	-	939	-	28,325	9,778	720	193,185	269,148	-	269,148
Exchange difference on translation of overseas operation	-	-	-	-	-	-	-	866	-	866	-	866
Decrease in fair value of available-for-sale financial assets	-	-	-	-	-	-	(4,617)	-	-	(4,617)	-	(4,617)
Reserve realized on disposal of available-for-sale financial assets	-	-	-	-	-	-	(4,142)	-	-	(4,142)	-	(4,142)
Exercise of stock options	140	3,835	-	-	-	-	-	-	-	3,975	-	3,975
Profit for the period	-	-	-	-	-	-	-	-	7,801	7,801	-	7,801
Dividend paid	-	-	-	-	-	-	-	-	(4,761)	(4,761)	-	(4,761)
<b>At 30th September, 2007</b>	<b>4,761</b>	<b>35,415</b>	<b>-</b>	<b>939</b>	<b>-</b>	<b>28,325</b>	<b>1,019</b>	<b>1,586</b>	<b>196,225</b>	<b>268,270</b>	<b>-</b>	<b>268,270</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

	<b>Six months ended</b>	
	<b>30.9.2008</b>	30.9.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(22,670)</b>	8,127
<b>Net cash (used in)/from investing activities</b>	<b>(26,308)</b>	22,441
<b>Net cash used in financing activities</b>	<b>(7,006)</b>	(26,598)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(55,984)</b>	3,970
<b>Cash and cash equivalents at beginning of the period</b>	<b>140,408</b>	91,469
<b>Effect of foreign exchange rates changes</b>	<b>(27)</b>	866
<b>Cash and cash equivalents at end of the period</b>	<b><u>84,397</u></b>	<u>96,305</u>
<b>Analysis of the balances of cash and cash equivalents:</b>		
<b>Cash and bank balances</b>	<b><u>84,397</u></b>	<u>96,305</u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

## 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (“the Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair values. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March, 2008.

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2008 except for the following new and revised standards, amendments and interpretations which are not yet effective:

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>3</sup>
HK(IFRIC) – INT 15	Agreements for the construction of real estate <sup>1</sup>
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008.

The Group has already commenced an assessment of the impact of the above new and revised standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

**3. TURNOVER/SEGMENT INFORMATION**

Turnover represents sales of mobile phones, business solutions and gross rental income.

For management purposes, the Group is currently organised into three divisions – sales of mobile phones, sales of business solutions and property investment. Segment information about the Group's business is presented below:

**Primary reporting format – business segments:  
For the six months ended 30th September, 2008:**

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	557,560	68,127	473	-	626,160
Inter-segment sales	62	-	-	(62)	-
Total turnover	<u>557,622</u>	<u>68,127</u>	<u>473</u>	<u>(62)</u>	<u>626,160</u>
<b>RESULTS</b>					
Segment results	<u>4,394</u>	<u>1,844</u>	<u>293</u>		6,531
Other income and gains					3,820
Other losses					(6,793)
Finance costs					(134)
Profit before taxation					3,424
Tax expense					(909)
Profit for the period					<u>2,515</u>

### 3. TURNOVER/SEGMENT INFORMATION (Continued)

#### Primary reporting format – business segments: (Continued)

For the six months ended 30th September, 2007:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	443,383	37,855	466	–	481,704
Inter-segment sales	–	–	–	–	–
Total turnover	<u>443,383</u>	<u>37,855</u>	<u>466</u>	<u>–</u>	<u>481,704</u>
<b>RESULTS</b>					
Segment results	<u>4,870</u>	<u>(4,647)</u>	<u>405</u>		628
Other income and gains					7,931
Gain on disposal of leasehold land and buildings and investment properties					
Finance costs					<u>1,001</u> (235)
Profit before taxation					9,325
Tax expense					<u>(1,524)</u>
Profit for the period					<u>7,801</u>

#### Secondary reporting format – geographical segments:

During the period ended 30th September, 2008, more than 90% of the Group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments for the relevant periods are presented in the financial statements.

**4. OTHER INCOME AND GAINS**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	30.9.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest income from banks	1,183	3,094
Investment income	1,671	4,538
Sundry income	966	299
	<u>3,820</u>	<u>7,931</u>

**5. OTHER LOSSES**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	30.9.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net realized and unrealized losses on financial assets at fair value through profit or loss – equity-linked deposits and equity-linked notes	6,793	–
	<u>6,793</u>	<u>–</u>

**6. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	30.9.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on obligations under hire purchase contracts	10	1
Interest on bank borrowings wholly repayable within five years	–	2
Interest on bank borrowings wholly repayable after five years	124	232
	<u>134</u>	<u>235</u>

## 7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

Operating lease rentals in respect of rented premises  
 – minimum lease payment  
 – contingent rent

Amortisation of prepaid operating lease payments

Depreciation

– owned assets  
 – leased assets

<b>Six months ended</b>	
<b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2007 HK\$'000 (unaudited)
<b>4,867</b>	4,602
<b>741</b>	772
<b>62</b>	58
<b>1,625</b>	1,164
<b>18</b>	22
<b>1,643</b>	1,186

## 8. TAX EXPENSE

The charge comprises:

Hong Kong Profits Tax  
 PRC Income Tax  
 Deferred tax

<b>Six months ended</b>	
<b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2007 HK\$'000 (unaudited)
<b>994</b>	1,460
<b>87</b>	64
<b>(172)</b>	–
<b>909</b>	1,524

Hong Kong Profits Tax is provided at the rate of 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

PRC Income Tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the period.

**9. DIVIDEND**

Final dividend for the year 2008 of HK\$0.01 per ordinary share (2007: final dividend for the year 2007 of HK\$0.01 per ordinary share)

<b>Six months ended</b>	
<b>30.9.2008</b>	30.9.2007
<b>HK\$'000</b>	HK\$'000
<b>(unaudited)</b>	(unaudited)
<b><u>4,901</u></b>	<u>4,761</u>

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2008 (2007: HK\$ Nil).

**10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic and diluted earnings per share is based on the following data:

<b>Six months ended</b>	
<b>30.9.2008</b>	30.9.2007
<b>HK\$'000</b>	HK\$'000
<b>(unaudited)</b>	(unaudited)
<b><u>2,163</u></b>	<u>7,801</u>
<b>Profit attributable to equity holders of the company</b>	
	<b>Number of shares</b>
	Number of shares
<b><u>486,976,756</u></b>	<u>466,830,555</u>
<b>Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic earnings per share</b>	
<b><u>486,976,756</u></b>	466,830,555
<b>Weighted average number of ordinary shares in issue less shares held for Share Award Plan</b>	
<b><u>3,136,301</u></b>	—
<b>Effect of dilutive potential ordinary shares: Award shares</b>	
<b><u>490,113,057</u></b>	<u>466,830,555</u>
<b>Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share</b>	

## 11. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	<b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2008 HK\$'000 (audited)
Contract costs incurred	<b>13,043</b>	5,944
Recognised profits	<b>1,592</b>	1,465
	<b>14,635</b>	7,409
Progress billings	<b>(1,236)</b>	(388)
Due from customers	<b>13,399</b>	7,021

The gross amount due from customers for contract work at 30th September, 2008 that is expected to be recovered after more than one year is HK\$1,300,000 (2007: HK\$Nil).

The directors consider that the carrying amounts of gross amount due from customers for contract work approximate to their fair values.

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The aged analysis of trade debtors of HK\$35,102,000 (31st March, 2008: HK\$34,720,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2008 HK\$'000 (audited)
Neither overdue nor impaired	<b>15,853</b>	17,403
Less than 1 month overdue	<b>5,438</b>	3,367
1 to 3 months overdue	<b>5,275</b>	5,207
More than 3 months but less than 12 months overdue	<b>8,536</b>	8,743
	<b>35,102</b>	34,720

The directors consider that the carrying amounts of debtors, deposits and prepayments approximate to their fair value.

**13. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES**

A subsidiary of the Company entered into agreements to acquire two properties located at Shanghai, PRC at total cash consideration of approximately HK\$27,400,000. Deposits of HK\$23,168,000 have been paid by the subsidiary and the balance of HK\$4,232,000 has been paid after the balance sheet date.

**14. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>30.9.2008</b> <b>(unaudited)</b>		31.3.2008 (audited)	
	<b>Assets</b> <b>HK\$'000</b>	<b>Liabilities</b> <b>HK\$'000</b>	Assets HK\$'000	Liabilities HK\$'000
Equity contracts	<b>414</b>	<b>1,031</b>	122	3,428
Equity-linked contracts	-	<b>6,522</b>	-	6,558
	<b>414</b>	<b>7,553</b>	122	9,986

The carrying amounts of equity contracts and equity-linked contracts are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

**15. CREDITORS AND ACCRUED CHARGES**

The aged analysis of trade creditors of HK\$36,057,000 (31st March, 2008: HK\$43,800,000) which are included in the Group's creditors and accrued charges is as follows:

	<b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2008 HK\$'000 (audited)
0 – 30 days	<b>33,404</b>	41,611
31 – 60 days	<b>791</b>	427
61 – 90 days	<b>132</b>	244
Over 90 days	<b>1,730</b>	1,518
	<b>36,057</b>	43,800

The directors consider that the carrying amounts of creditors and accrued charges approximate to their fair value.

## 16. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related company:

Name of related company	Nature of transactions	Six months ended	
		30.9.2008 HK\$'000	30.9.2007 HK\$'000
HKC Intown Limited	Internet access fee paid <i>(Note)</i>	-	99

Mr. Chan Chung Yin, Roy, director of the Company, has beneficial interest in the above-named company.

*Note:* These transactions were based on cost plus a percentage of profit mark-up.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2008, the Group's turnover was HK\$626 million which represented an increase of approximately 30% when compared with the HK\$482 million recorded for the corresponding period last year. The net profit attributable to equity holders decreased by 72% to HK\$2 million when compared with profit of HK\$8 million during the same period last year. The decrease in profit was due to mark to market losses of approximately HK\$7 million on the Group's investment due to financial tsunami.

### Sales of mobile phones

The division posted an 26% increase in sales to HK\$558 million (2007: HK\$443 million) while the profit was HK\$4 million (2007: HK\$5 million), representing a decrease of approximately 9% when compared to the corresponding period of last year. The profit margin was reduced in order to maintain the market share.

### Sales of business solutions

The sales of business solutions relate to the sales of business solutions, security systems and integrated services. During the period under review, the gain from this business segment was HK\$2 million. (2007: loss of HK\$5 million). The improvement in the performance was due to better cost control and completion of some projects with higher profit margin when compared with corresponding period of last year.

### Property investment

Gross rental income generated from the investment properties was HK\$0.5 million (2007: HK\$0.5 million). The profit for this segment was HK\$0.3 million (2007: HK\$0.4 million).

## PROSPECTS

In expectation of the continued economic downturn in the second half of the financial year, we will adopt prudent measures for financial management and resources allocation to maintain the market share and solidify our market position.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2008, the Group's cash and bank balances amounted to approximately HK\$84 million (31st March, 2008: HK\$140 million). During the period under review, huge cash resources were utilised to strengthen our property portfolio and expand our business. HK\$23 million was paid as deposits for purchase of properties at Shanghai, PRC and HK\$8 million was paid for purchases of properties in Hong Kong. In addition, HK\$7 million was incurred for contract work. The gearing ratio was 6% (31st March, 2008: 0.01%) which is expressed as a percentage of total borrowings to shareholders' funds. The increase in gearing ratio was due to increase in mortgage loans of approximately HK\$17 million to finance the purchases of properties in Hong Kong for rental income (31st March, 2008: nil).

As substantial portions of the Group's transactions are dominated in Hong Kong dollar, the Group's exposure to exchange fluctuation is low.

## EMPLOYEES

As at 30th September, 2008, the total number of employees of the Group was approximately 330 (31st March, 2008: 330) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$26 million (2007: HK\$24 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There are share option scheme and share award plan in place designed to award employees for their performance at the discretion of the directors. The Group maintains a good relationship with its employees.

## PLEDGE OF ASSETS

As at 30th September, 2008, the Group's banking facilities were secured by bank deposits of HK\$11,891,000 (31st March, 2008: HK\$11,840,000) and first legal charge on certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$33,644,000 (31st March, 2008: HK\$ 9,044,000).

## CONTINGENT LIABILITIES

As at 30th September, 2008, the Company has provided corporate guarantees of HK\$49,000,000 (31st March, 2008: HK\$49,000,000) to secure the banking facilities granted to subsidiary companies.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th September, 2008, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or was deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ associated corporation	Capacity/nature of interest	Number and class of securities	Percentage of interests in the issued share capital as at 30th September, 2008
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	240,616,575 ordinary shares (each a "Share") of HK\$0.01 each (L) (Note 1 and 2)	49.09%
	The Company	Beneficial owner	9,080,000 Shares (L) (Note 3)	1.85%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 each (L)	100%

<b>Name of Director</b>	<b>The Company/ associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities</b>	<b>Percentage of interests in the issued share capital as at 30th September, 2008</b>
Chan Chung Yin, Roy	The Company	Interest of controlled corporation	67,417,400 Shares (L) (Note 4)	13.76%
	The Company	Beneficial owner	1,260,000 Shares (L) (Note 5)	0.25%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00 each (L)	100%
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	5.04%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.20%
Tsui Hon Wing	The Company	Beneficial owner	2,879,200 Shares (L) (Note 8)	0.59%
Chan Ming Him, Denny	The Company	Beneficial owner	1,000,000 Shares (L) (Note 9)	0.20%
Wu Kwok Lam	The Company	Beneficial owner	256,000 Shares (L) (Note 10)	0.05%

*Notes:*

1. The Letter "L" represents the director's or the chief executive's long position in the Shares of the Company or its associated corporations.
2. Among these Shares, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 231,851,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested.
3. These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.

4. These Shares were held by Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy was deemed to be interested in the Shares held by Star Global International Limited.
5. These Shares are registered in the name of Mr. Chan Chung Yin, Roy.
6. These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min was deemed to be interested in the Shares held by Ocean Hope Group Limited.
7. These Shares are registered in the name of Mr. Chan Man Min.
8. These Shares are registered in the name of Mr. Tsui Hon Wing.
9. These Shares are registered in the name of Mr. Chan Min Him, Denny.
10. These Shares are registered in the name of Mr. Wu Kwok Lam.

Save as disclosed above, as at 30th September 2008, none of the directors and chief executive of the Company had any interest and short position in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or was deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from those disclosed under the heading "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the period under review or up to the date of this report were there any rights to acquire shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them. None of the Company or any of its subsidiaries was a party to any arrangement to enable the directors or their respective spouse or minor children to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

So far as the directors are aware, as at 30th September, 2008, the following persons, other than a director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares (each a "Share") of HK\$ 0.01 each	Capacity/nature of interest	Percentage of interest in the issued share capital as at 30th September, 2008
Matrix World Group Limited (Note 2)	231,851,727 (L) (Note 1)	Beneficial owner	47.31%
	8,764,848 (L)	Interest of controlled corporation	1.79%
Star Global International Limited (Note 3)	67,417,400 (L)	Beneficial owner	13.76%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.04%
Chan Low Wai Han, Edwina (Note 5)	68,677,400 (L)	Interest of spouse	14.01%
Josephine Liu (Note 6)	249,696,575 (L)	Interest of spouse	50.94%

*Notes:*

1. The letter "L" represents the person's interest in the Shares.
2. Among these Shares, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 231,851,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited was interested. Mr. Chan Chung Yee, Hubert is a director of Light Emotion Limited and Matrix World Group Limited.
3. Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy. Mr. Chan Chung Yin, Roy is a director of Star Global International Limited.
4. Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min. Mr. Chan Man Min is a director of Ocean Hope Group Limited.
5. Mrs. Chan Low Wai Han, Edwina is a wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.
6. Ms. Josephine Liu is a wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Hubert is interested.



## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30th September, 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company had complied throughout the six months ended 30th September, 2008 with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 to Listing Rules, except for Code Provision A.2.1 which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of Chairman and Chief Executive Officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

## **COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th September, 2008.

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed internal control and financial reporting matters, including the review of the interim financial statements which have not been audited.

## APPRECIATION

The board of directors (the "Board") of the Company would like to extend its sincere gratitude to the Company's shareholders, business counterparts and all management and the staff members of the Group for their contribution and continued support during the period.

On behalf of the Board  
**Chan Chung Yee, Hubert**  
*Chairman*

Hong Kong, 15th December, 2008

